

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7999**

**BILL NUMBER: SB 372**

**DATE PREPARED:** Jan 15, 2001

**BILL AMENDED:**

**SUBJECT:** Minimum Benefit for PERF Retirees.

**FISCAL ANALYST:** James Sperlik

**PHONE NUMBER:** 232-9866

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that a member of the Public Employees' Retirement Fund (PERF) or Teachers' Retirement Fund (TRF) who retires at normal retirement age is entitled, after June 30, 2001, to a minimum monthly benefit in an amount determined according to the member's years of creditable service. It provides that the minimum monthly benefit applies only to a member and not a survivor or beneficiary. The bill provides that if a member's only creditable service is service as an elected official, the member is not eligible for a minimum monthly benefit.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This bill provides a minimum monthly benefit based on the member's years of creditable service, beginning with 15 years and a minimum monthly benefit of \$150, continuing with a \$10 increase per month per year, up to 20 years with a minimum monthly benefit of \$200.

*Public Employees' Retirement Fund:* The estimated increase in unfunded liability, annual funding, and cost as a percent of payroll for the state and local units are provided in the following table.

	<u>State</u>	<u>Local Units</u>	<u>Total</u>
Increase in Unfunded Liability	\$35.9 M	\$50.6 M	\$86.5 M
Increase in Annual Funding	\$3.1 M	\$5.9 M	\$9.0 M
Increase in Cost as % of Payroll	0.3%	0.3%	0.3%

The funds affected are the State General Fund (55%), or \$1.705 M of the \$3.1 M increase in annual funding, and various dedicated funds (45%), or \$1.395 M. The percent split represents the amount each fund

contributes to the personal services part of the State Budget.

*Teachers' Retirement Fund:* The estimated increase in unfunded liability, cost as a percent of payroll, and payout are provided in the following table.

	<u>Closed Plan</u>	<u>New Plan</u>	<u>Total</u>
Increase in Unfunded Actuarial Accrued Liability (UAAL)	\$8.4 M	\$0.6 M	\$9.0 M
Increase in Employer Cost as %f of Payroll	0.01%	0.06%	0.07%
Increase in Payout first year	\$1.0 M		

The fund affected for the Closed Plan is the State General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See tables above.

**Explanation of Local Revenues:**

**State Agencies Affected:** Teachers' Retirement Fund; Public Employees' Retirement Fund.

**Local Agencies Affected:** Those with members in PERF.

**Information Sources:** Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508; Denise Jones of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.

**DEFINITIONS**

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.